

PUBLIC DISCLOSURE

October 11, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

COMMONWEALTH CO-OPERATIVE BANK

TWO CENTER PLAZA
BOSTON, MA 02108

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **The Commonwealth Co-operative Bank (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **October 11, 2005**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following is a summary of the Bank's performance under each of the five criteria.

The Bank's average loan to deposit ratio over the past eight quarters is 71.7 percent. As of June 30, 2005, the loan to deposit ratio stood at 81.5 percent. An analysis of the Bank's lending and deposit activities from September 30, 2003 through June 30, 2005 was performed. The analysis revealed that there was a steady decline in deposits throughout the last eight quarters which resulted in an 8.8% decline. The loan trend revealed that the dollar amount of loans had a steady decline from September 2003 through September 2004. However, in December 2004 an increasing loan trend started to occur. Overall the loan portfolio grew by 5.9 percent.

The majority of the Bank's loans reportable under the Home Mortgage Disclosure Act ("HMDA"), both by volume and dollar amount, were originated within the assessment area.

A review of the distribution of credit to borrowers of various incomes reflects an adequate penetration among individuals of different income levels.

The geographic distribution of loans reflects an adequate penetration throughout the assessment area and compares favorably to the assessment area's demographics.

No CRA-related complaints have been received since the last examination. The fair lending examination revealed no evidence of discriminatory acts or procedures.

PERFORMANCE CONTEXT

Description of Institution

The Commonwealth Co-operative Bank was founded in 1927 to meet the banking needs of the employees of the Commonwealth of Massachusetts. Since inception, the Bank has been located in close proximity to the state offices located in downtown Boston. Despite its original charter to service State Employees, the Bank also serves the general public. The Bank operates one full service office, which is located at Two Center Plaza in downtown Boston. The primary investment vehicle for the Bank has remained mortgage lending for home ownership, and deposits are the sole funding source for loans. In addition, the Bank offers home improvement, student and passbook loans. Although the Bank does not own and operate its own automated teller machines ("ATM"s), it does offer access through ATM networks, including CIRRUS, NYCE, and XPRESS-24.

As of June 30, 2003, the Bank had total assets of \$47,207,000 of which 71.4 percent were in the form of loans. The Bank is primarily a residential lender with 85.0 percent of the total portfolio made up of 1-4 family residential properties.

Refer to the following table for additional information on the breakdown of the loans.

Loan Portfolio Composition

LOAN TYPE	AMOUNT \$000's	PERCENT
1 to 4 Family Residential	28,654	85.0%
Multi-Family	3,188	9.5%
Consumer	273	.8%
Construction & Land Development	1,600	4.7%
Total Gross Loans	\$ 33,715	100.0

Source: Call Report of Condition as of June 30, 2005

Other than the Bank's relatively small asset size and limited staff, there appears to be no significant financial or legal impediments which would limit the Bank's ability to help meet the various needs of its assessment area.

The Bank was last examined for compliance with the CRA by the Federal Deposit Insurance Corporation ("FDIC") on September 3, 2002. That examination resulted in a Satisfactory rating. The Bank was last examined by the Division on March 12, 1999 and that examination also resulted in a Satisfactory CRA rating.

Description of Assessment Area

CRA requires a financial institution to identify one or more assessment areas which it intends to help meet the area's credit needs. The Commonwealth Co-operative Bank's assessment area includes the following counties; Suffolk County, Norfolk County, and Middlesex County.

According to the 2000 census data, the Bank's assessment area has 1,124,355 housing units of which, 55.0 percent are owner-occupied, 42.0 percent are rental occupied units and 3 percent are vacant housing units. One to four family properties comprise 73.0 percent of the total housing units. Census tracts are defined as low, moderate, middle or

PERFORMANCE CONTEXT (CONTINUED)

upper-income based on median Family Household Income ("FHI") within the census tract. The assessment area consists of 594 census tracts: 52 (9.0 percent) low-income, 144 (24.0 percent) moderate-income, 246 (41.0 percent) middle-income, 151 (25.0 percent) upper-income and 1 (1.0 percent) is designated as NA.

The median family income for the Boston MSA in 2003 was \$80,800. The adjusted median family income for the Boston-Quincy MD for 2004 was \$75,300 and in 2005 it was \$76,400. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Please refer to the table below regarding other housing characteristics.

Housing Distribution by Income Tract Level

Census Tract Income Level	Number of Housing Units(#)	Percent of total Housing Units (%)	Number of Owner- occupied Units (#)	Percent of Owner occupied units (%)
Low-income	64,406	6.0	10,552	1.7
Moderate- income	273,719	24.0	93,726	15.3
Middle- income	490,224	44.0	297,531	48.4
Upper-income	296,006	26.0	212,747	34.6
Total	1,124,355	100.0 %	614,556	100.0 %

Source: 2000 Census Data

Residential 1-4 family units represent approximately 73.0 percent of all housing types within the assessment area. Approximately 26.0 percent are multi-family units with the remaining 1.0 percent being other types of housing.

Change in MSA for 2004

The Office of Management and Budget ("OMB") revised its Standards for Defining Metropolitan and Micropolitan Areas in December 2000 under the Metropolitan Area program. In June 2003, OMB defined new metropolitan statistical area ("MSA") boundaries, which were then updated in February 2004, effective January 2004. The new definitions resulted in the reintroduction of the term MSA instead of metropolitan area, as well as changes to the boundaries of many existing MSAs. The application of OMB's 2000 standards will result in some census tracts changing income levels without any real change in economic conditions within the tracts. In part, these changes are the result of different criteria used by OMB in setting the 2000 standards and, subsequently, the MSA/MetroDiv boundaries that impact 2004 data.

PERFORMANCE CONTEXT (CONTINUED)

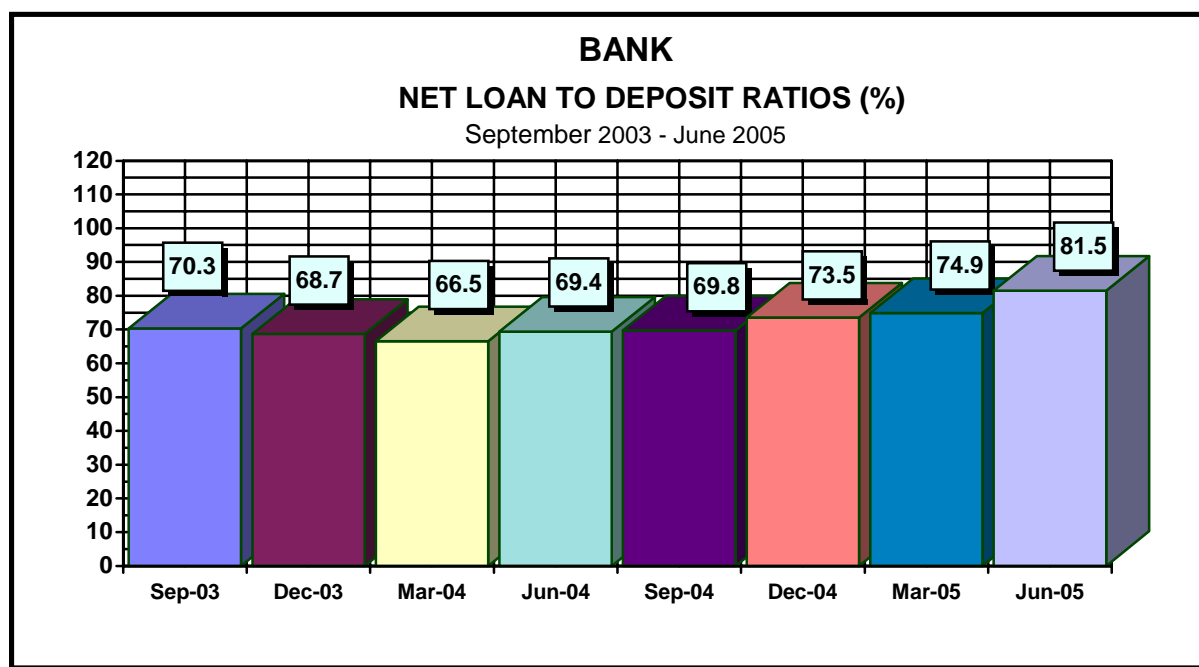
Demographic information for the Bank's assessment area was obtained from data compiled by the 2000 U.S. Census as well as by the MSA boundaries established in January 2004. Information based on the newly revised MSA boundaries was used to evaluate the Bank's 2004 performance while the "older" boundaries were used to evaluate the Bank's 2003 performance.

Unemployment figures were obtained for the assessment area. As of December 2004, the assessment area had an unemployment rate of 2.3 percent. The assessment area's unemployment rate was lower than the statewide average of 4.7 percent.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

A comparative analysis of The Commonwealth Co-operative Bank's quarterly net loan-to-deposit ratios for the period of September 30, 2003 through June 30, 2005 was conducted during this evaluation. Using the Bank's quarterly Call Reports, the average net loan-to-deposit ratio for this period is 71.7 percent. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The following graph is provided for further analysis.



Source: Quarterly FDIC Call report schedule RC-Balance Sheet

The Bank's average loan to deposit ratio over the past eight quarters is 71.7 percent. As of June 30, 2005, the loan to deposit ratio stood at 81.5 percent. An analysis of the Bank's lending and deposit activities from September 30, 2003 through June 30, 2005 was performed. The analysis revealed that there was a steady decline in deposits throughout the last eight quarters which resulted in an 8.8 percent decline. The loan trend revealed that the dollar amount of loans had a steady decline from September 2003 through September 2004. However, in December 2004 an increasing loan trend started to occur. Overall the loan portfolio grew by 5.9 percent.

Based on the above information and the Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the Bank's net loan to deposit ratio is considered to meet the standards for satisfactory performance.

PERFORMANCE CONTEXT (CONTINUED)

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of the Bank's Loan Application Registers ("LAR"s) for 2003, 2004 and year-to-date June 30, 2005 was conducted during the evaluation. This information indicated that the Bank originated 196 HMDA reportable loans during the period. All of the loans were for purchased or refinanced properties, as well as home improvement and multi-family loans. A total of 113 or 57.6 percent of all HMDA reportable loans were originated within the Bank's assessment area.

An additional review of HMDA reportable originations by dollar amount for the same period was also reviewed. The Bank granted a total of \$32,887,000 in HMDA reportable loans during this period. Of these loans, \$19,836,000 or 60.3 percent of the total dollar amount was originated within the Bank's assessment area. Refer to the following tables for additional information.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area

	2003		2004		YTD 2005		Total	
LOCATION	#	%	#	%	#	%	#	%
Suffolk County	28	49.1	10	29.4	6	27.3	44	39.0
Norfolk County	16	28.1	11	32.4	11	50.0	38	33.6
Middlesex County	13	22.8	13	38.2	5	22.7	31	27.4
Inside Assessment Area	57	60.0	34	63.0	22	46.8	113	57.6
Outside Assessment Area	38	40.0	20	37.0	25	53.2	83	42.4
TOTALS	95	100.0	54	100.0	47	100.0	196	100.0

Source: 2003, 2004, Year-to-date June 30, 2005 HMDA/LARs

Distribution of Home Mortgage Loans by Dollar Amount of Originations

	2003		2004		YTD 2005		Totals	
LOCATION	\$ (000)	%	\$(000)	%	\$(000)	%	\$(000)	%
Suffolk County	6,414	64.1	977	17.3	1,797	42.8	9,188	46.3
Norfolk County	1,876	18.8	2,340	41.5	2,231	53.2	6,447	32.5
Middlesex County	1,712	17.1	2,323	41.2	166	4.0	4,201	21.2
Inside Assessment Area	10,002	63.2	5,640	62.7	4,194	51.9	19,836	60.3
Outside Assessment Area	5,811	36.8	3,356	37.3	3,884	48.1	13,051	39.7
TOTALS	15,813	100.0	8,996	100.0	8,078	100.0	32,887	100.0

Source: 2003, 2004 and Year-to-date June 30, 2005 HMDA/LARs.

PERFORMANCE CONTEXT (CONTINUED)

As the above tables illustrate, a majority of the number and dollar amount of mortgage related loans were granted within the Bank's assessment area. The largest concentration of loans was within Suffolk County, which is the location of the Bank's only office.

Based on the analysis of credit extended inside and outside of the assessment area, the Bank is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

Distribution of HMDA Loans by Borrower Income

% OF MEDIAN MSA INCOME	2003		2004		YTD 2005		Total	
	#	%	#	%	#	%	#	%
<50%	4	7.0	4	11.8	2	9.1	10	8.8
50%-79%	9	15.8	7	20.6	3	13.6	19	16.8
80%-119%	14	24.6	14	41.2	6	27.3	34	30.1
>120%	29	50.9	9	26.4	9	40.9	47	41.6
N/A	1	1.7	0	0.0	2	9.1	3	2.7
Total	57	100.0	34	100.0	22	100.0	113	100.0

Source: 2003, 2004 and year-to-date 2005 HMDA/LARs.

As the above table indicates, most of the Bank's lending within the assessment area during the examination period was to upper-income individuals. However, the Bank originated 25.6 percent of its HMDA reportable loans to borrowers of low and moderate-income.

The following table shows the number and dollar volume of HMDA-reportable loans originated by the Bank to low, moderate, middle and upper-income borrowers in comparison to all other HMDA-reportable lenders in the assessment area during 2003.

Distribution Of HMDA Reportable Loans in Assessment Area Commonwealth Co-operative Bank Compared To All Other Reporters

Borrower Income Level	Number of Loans				Dollars in Loans (000's)			
	Commonwealth Co-operative Bank		All Other Reporters		Commonwealth Co-operative Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	4	7.0	16,909	5.1	181	1.8	2,218,269	2.7
Moderate	9	15.8	55,966	16.8	1,132	11.3	9,813,010	12.0
Middle	14	24.6	82,360	24.8	1,809	18.1	17,435,024	21.5
Upper	29	50.9	127,007	38.2	5,664	56.6	37,456,383	45.9
NA	1	1.7	50,153	15.1	1,216	12.2	14,620,655	17.9
Total	57	100.0	332,395	100.0	10,002	100.0	81,543,341	100.0

Source: HMDA Data for the period 1/1/2003 to 12/31/2003.

PERFORMANCE CONTEXT (CONTINUED)

As shown in the preceding table, the percentage of the Bank's lending to low and moderate-income borrowers is slightly higher than the aggregate throughout the assessment area. Consideration should also be given to the high number of originations in the NA category for aggregate data.

A review of the distribution of credit to borrowers of various incomes reflects an adequate penetration among individuals of different income levels. While the percentage is good, the overall volume of loans is minimal. Therefore, the Bank's performance is adequate and considered to meet the standards of satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of HMDA reportable loan originations extended within the various census tracts contained in the Bank's assessment area was conducted during the evaluation. The Bank's assessment area is comprised of 594 census tracts, 52 which are designated as low-income, 144 designated as moderate-income, 246 designated as middle-income, 151 designated as upper-income, and 1 designated as N/A.

The Bank originated 113 HMDA reportable loans within its assessment area from January 1, 2003 through June 30, 2005. Of these 113 loan originations, 6.2 percent were granted in low-income census tracts and 24.7 percent were originated in moderate-income census tracts. Refer to the following table for additional information.

Distribution of HMDA Loans by Income Category of the Census Tract

Census Tract	2003		2004		YTD 2005		Total	
	#	%	#	%	#	%	#	%
Low	5	8.7	1	2.9	1	4.6	7	6.2
Moderate	18	31.6	8	23.6	2	9.0	28	24.7
Middle	22	38.6	18	52.9	11	50.0	51	45.2
Upper	12	21.1	7	20.6	8	36.4	27	23.9
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	57	100.0	34	100.0	22	100.0	113	100.0

Source: HMDA/LAR Data: 2003, 2004, Year-to-date 2005.

Aggregate data for all other lenders within the Bank's assessment area for 2003 reveals that 3.1 percent of all originations within the assessment area were granted in low-income census tracts; 12.7 percent granted in moderate-income tracts; 43.4 percent granted in middle-income tracts; and 40.8 percent originated in upper-income census tracts. When analyzing 2004 and year-to-date 2005 HMDA data, the Bank's loans by number in low income census tracts remained the same, but in moderate income census tracts the number of loans decreased from 2004 to 2005. The Commonwealth Co-operative Bank's lending performance for calendar years 2003, 2004 and year-to-date June 30, 2005 has been on a steady decline in low, moderate and middle income census tracts.

PERFORMANCE CONTEXT (CONTINUED)

Based on the analysis of the geographic distribution of loans, the Bank meets the standards for satisfactory performance in generating originations from all segments of its assessment area.

5. Fair Lending Policies and Practices/Review of Complaints

The Commonwealth Co-operative Bank's fair lending data was reviewed to determine how it is related to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

The Bank maintains a fair lending policy aimed at preventing illegal discrimination and that adequately addresses the Division's Regulatory Bulletin 2.3-101 and other aspects of fair lending.

The Bank has a staff of ten full and part-time employees, one of whom is a minority. The Bank also provides all employees with training on a variety of fair lending and diversity issues.

The Commonwealth Cooperative Bank offers loans with up to 90 percent financing with no points. They also refer all loan customers who are experiencing credit difficulties to the appropriate consumer credit counseling services available in the area. In addition, management is willing to discuss any difficulties customers may have with their credit. Management performs an annual review of its loan policy and credit products in order to determine whether the Bank is offering competitive products and whether those products are responsive to the assessment area's credit needs.

The Commonwealth Co-operative Bank primarily relies on referrals by customers in order to promote their products.

The Commonwealth Co-operative Bank has no reported complaints that were relevant to its CRA performance since the previous examination. The Bank's record of implementing and developing fair lending policies is considered adequate and meets the standards for satisfactory performance.

MINORITY APPLICATION FLOW

A review of HMDA reportable loan applications was conducted in order to determine the number of applications the Bank received from minorities. From January 1, 2004, through June 30, 2005, the Bank received 61 HMDA reportable loan applications from within its assessment area. During the examination period, 4 applications, or 6.6 percent, were received from minorities and all applications were approved. Refer to the following table for further details.

PERFORMANCE CONTEXT (CONTINUED)

RACE	Aggregate Data 2004		2004		YTD 2005		Total	
	#	%	#	%	#	%	#	%
American Indian/ Alaskan Native	1,248	0.4	0	0.0	0	0.0	0	0.0
Asian	13,584	4.6	2	5.6	0	0.0	2	
Black or African American	16,745	5.7	1	2.7	1	4.0	2	
Hawaiian/ Pacific Islander	845	0.3	0	0.0	0	0.0	0	0
2 or More Minority	136	0.1	0	0.0	0	0.0	0	0.0
Joint Race	2,574	0.9	0	0.0	0	0.0	0	0.0
Total Minority	35,132	12.0	3	8.3	1	4.0	4	6.6
White	176,758	60.6	33	91.7	24	96.0	57	93.4
Not Provided	80,039	27.4	0	0.0	0	0.0	0	0.0
Total	291,929	100.0	36	100.0	25	100.0	61	100.0

Source: 2004 and year-to-date 2005 HMDA LARs.

Aggregate data for all other HMDA reporters within the assessment area for 2004 indicated that 12.0 percent of mortgage related applications were from minority individuals. When comparing the Bank's 2004 performance level to the aggregate, the Bank was somewhat below at 8.3 percent.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at Two Center Plaza, Boston, Massachusetts, 02108."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.